

Justifying a financially and socially sustainable pension reform: a comparative study of Finland and France

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[as accepted for publication in International Journal of Sociology and Social Policy]

Purpose

Increasing longevity and lower birth rates put pressure on the sustainability of pension systems. This compels countries to reform their pension schemes. Different countries opt for different types of reforms. This article examines the scope of possibilities for a pension reform in two countries with distinct; institutional and ideational setup: Finland and France.

Design/methodology/approach

The authors utilize the framework of different modes of justification presented by Boltanski and Thévenot to reveal the reasoning used in pension reform discussions in both countries. The authors study expert reports to analyse how nationally constructed ideas and local institutions frame and shape the different logics and justifications.

Findings

In Finland, the approach to pensions is dominated by industrial and market justifications. The pension system is institutionally separated into two different blocks: one addressing poverty and the other income maintenance. The separation enables the prevalence of these logics and makes it easier to promote reform that emphasize efficiency and individual responsibility instead of income distribution. The French report is concentrated around civic and domestic dominated justifications by stressing solidarity and the role of pension systems connecting individuals and generations together. Any reform needs to consider these issues.

Originality/value

The article uses a novel research design to study pension reform processes. The article distinguishes the roles that ideas and institutions have in shaping expert reasoning and reform options. The authors show how ideas and institutions form a mutually reinforcing loop which helps to explain path-dependency in pension systems.

Introduction

Setting up an old-age pension system that would cover the workforce was a popular idea taken up by European governments in the 20th century. This idea found its support at a time of societal change in the

labour market. Civil servants usually had pension security, but among the workers in the private sector, the elderly faced economic hardship because many did not have access to old-age income security (Blackburn 2003). Although the aims of pension systems – to reduce old-age poverty, to provide an exit route to older unproductive workers from workplaces, and to secure certain income level – were similar, the institutional setup took different forms.

Today, the ageing of the population – a combination of longer life expectancy and lower birth rates – is putting pressure on the diverse European pension systems (see e.g. European Commission 2015). The demographic change is straining pension systems and their viability as sources of adequate retirement income. Countries have opted for many parametric and structural reforms: contribution rates have been adjusted upwards, retirement ages have been raised, generosity of pension benefits have been reduced, and funded pensions have been promoted (Bodnár & Nerlich 2020; Grech 2013; Kohli & Arza 2011; OECD 2019; Vidlund et al. 2016).

In pension reforms a key challenge is maintaining a politically, financially and socially sustainable system. In an ideal world, a multitude of options exists. In the real world, options are restricted. Only certain kinds of reforms are possible due to financial, political, cultural, ideational, and institutional limitations. Many scholars have emphasized path-dependency, that is, the influence of existing institutions on the development of the welfare state and its programmes (Putnam 1993; Tabellini 2008; Pierson 2004). In addition, recent scholarship in social policy has stressed the role of (political and cultural) ideas and the interconnectedness of ideas and institutions (Béland 2019a; Berman 2013; Hall 1993; Schmidt 2011).

The main purpose of this article is to study the role and interaction of ideas and institutions in explaining the possibilities and limits of certain pension reform options. We do this by comparing expert reasoning in Finland, a country which has passed two large pension reforms in 2005 and 2017 without major protests and with clear majorities in Parliament, and in France, where big pension reform attempts are often marked by large protests and strikes, as was witnessed in the late 2019. Yet, France has passed numerous parametric reforms during the last three decades (see Palier 2014). The focus of the article is on expert reasoning and its ideational and institutional context, not political dynamics. We study the expert reasoning by examining reports of national expert groups from the two countries. The reports, commissioned by the relevant ministers or labour market organizations, were published in 2013 as preparatory documents for a possible pension reform. In the analysis of these reports, we focus on how a financially and socially sustainable pension reform is understood in expert discourse. By exploring this

question, we study how nationally constructed ideas and institutions frame and shape expert reasoning and hence the scope of possibilities for a pension reform. Finland and France are good cases for this kind of comparison as the pension systems of these two countries have similarities, for example relatively generous public pensions, but at the same time, crucial ideational and institutional differences.

The article uses the framework of different modes of justification developed by Boltanski and Thévenot (2006) as an analytical tool. We show that the expert reasoning in Finland and France seems to be based on clear ideational differences, but at the same time, these differences are embedded in the institutional setup – especially in the structure of the benefit scheme and the model of financing. In other words, while country-specific ideas influence the establishment and development of institutions, the institutional framework reproduces these ideas, creating a mutually reinforcing loop which strengthens path-dependency.

Ideas and institutions in the French and Finnish pension systems

The pension models in France and Finland are based on a different ideational background. In this study, ideas are understood as historically constructed beliefs and perceptions of both individual and collective actors (Béland 2019a: 5). Ideas of solidarity and social justice, themes that often motivate public discussion and demonstrations, occupy a central role in the French debate on pensions. In Finland, the idea of earnings-relatedness is often at the centre stage in the discussion on pensions, and solidarity is not a key concept, even though questions of redistribution and social justice are more present in lay discussions. Moreover, there are differences in the interpretation of solidarity and reciprocity in Finland and France.

In addition to the ideational differences, there are numerous important institutional differences. The first one is related to the benefit structure of the pension systems. The French system consists of two mandatory pension tiers. The first tier, *sécurité sociale*, was legislated in 1945. The second tier, the supplementary points-based [1] pension scheme, was created in 1947 for executives and in 1961 for employees. Both tiers are earnings-related, but the first tier's pension ceiling is low, equalling roughly the median wage and therefore leaving room for supplementary pensions [2]. In the first tier, pensions are defined benefit (DB), and based on the best 25 years of one's career. The second-tier pension is a points-based system and accrues throughout the whole career. Although *sécurité sociale* is earnings-related, it

also includes minimum pensions. In addition, a separate means-tested benefit *allocation de solidarité aux personnes âgées* (ASPA) is given to the low-income elderly.

The Finnish pension system operates equally on a two-tier basis. The residence-based (RB) minimum pension, created in 1956, is progressively replaced by the earnings-related (ER) pension. RB pension supplements small earnings-related pensions and provides for a minimum pension. The main bulk of the pension system is the ER pension system, which was established in 1962 [3]. Today, it forms almost 90 per cent of the pension expenditure (ETK 2021). The ER pension is a career average defined benefit (DB) pension, which means that pensions accrue according to a defined percentage of one's wages during the whole working career. Finnish earnings-related pensions have no pension ceiling for employees, which carves out the need for supplementary pensions.

Compared to France, an important difference is that, in Finland, minimum and earnings-related pensions are institutionally separate. Thus, there is no minimum pension in the ER system in Finland. Income redistribution is typically understood to be conducted via the RB minimum pension. Historically, there has been a rivalry between these two approaches: universal flat-rate and earnings-related social insurance. Lassila and Valkonen (2002: 260) argue that the historical rivalry might also explain why ER pensions shy away from income redistribution inside generations.

Second, there is an essential difference in the financing of the schemes. The French system works on a pay-as-you-go [4] (PAYG) basis and places very little reliance on pre-funding, whereas the Finnish scheme is partly pre-funded [5]. About a fifth of the contributions are pre-funded and paid out as pensions later. The size of Finnish pension funds is 95.5 per cent in relation to GDP whereas the size of French pension funds is 7.5 per cent in relation to GDP (ETK 2021b). In addition, in Finland, the ER pension system is based on ring-fenced contributions and the share of tax financing is limited, while in France, the role of tax financing in the pension system is significant (Vidlund et al. 2016).

Third, pension politics and the governance of pension schemes in France and Finland differ substantially. In France, the rules of the pension system are decided by politicians in Parliament. However, as the system consists of several sub-schemes and is fragmented along occupational lines, large reforms are difficult. Pension reform attempts have led to protests and the fall of governments in the last decades (Palier 2014: 64). Different professional and socio-economic groups have diverse interests and privileges to defend. The government must find an alternative which is able to aggregate these different visions and interests (Palier 2005: 131). The role of labour market organizations is limited, although they are

consulted in legislative reforms (Table 1). They are not the most cooperative partners; the French labour market organizations have a long history of non-cooperation with the State (Rokkan 1999). Yet, labour market organizations govern the institutions that administer the different pension sub-schemes.

The Finnish pension politics is rather different. Statutory earnings-related pensions, which form the main part of the Finnish pension scheme, are mostly discussed between the central employer and employee organizations, and the reforms are prepared by these organizations. Formally, reforms are negotiated in a tripartite manner including the State. However, the central labour market organizations are the *de facto* decision makers for the legislation of the ER pension system (Table 1). Parliamentary debates on pensions, especially on statutory earnings-related pensions, are rare. In addition, pension reforms rarely cause unrest in the form of demonstrations or strikes. Decisions on minimum pensions are made in Parliament and the scheme is administered by the Social Insurance Institution of Finland (Kela).

Table 1. Design and governance of the pension systems in Finland and France

Country	Design of the statutory pension scheme*	Main decision makers in the statutory pension scheme
Finland	Residence-based minimum pension + earnings-related DB pension without a ceiling	Labour market organizations and Government (tripartite structure)
France	Earnings-related DB pension with a ceiling (including minimum pension) + supplementary points-based pension	Government (labour market organizations are consulted)

***Main pension system** in bold.

Source: Authors' compilation based on Eurofound (2013)

Analysing expert reports

Political parties and labour market organizations, who decide on pension policies, rely much on the background work done by experts. Pension systems are shaped much by the information provided by these experts who define, frame, and justify pension policy options. The importance of expert reasoning is emphasized as the public understands little about the details of pension systems (Sundén 2006). Thus,

expert reasoning has a direct impact on what is understood as challenges and which reforms are considered possible. The justification modes used by the experts are based on established ideas, that is, historically constructed and relatively widely shared beliefs and perceptions, which can become institutionalised as enforced rules of the game (Béland 2019a: 5).

The material analysed in this article consist of Finnish and French expert reports that were published in 2013. At the time, the large baby-boom generations had started moving into retirement and smaller birth cohorts started entering the labour market. Many countries were planning or implementing pension reforms, and the European Commission recommended to increase the retirement age and eliminate early retirement schemes (Clauwaert 2017). The expert groups were created on an *ad hoc* basis, and they acted as advisory bodies in the policymaking process. They represent the best available expertise on the pension systems in Finland and France. The reports were the most similar cases from the two countries. There are no other extensive expert documents or other sources that would bring substantial added value to the analysis.

The Finnish report *Adapting the Finnish pension scheme to increasing life expectancy* [6] (ETK 2013) was commissioned in 2012 by the central labour market organizations. The task was to prepare a document for the tripartite negotiations planning the 2017 pension reform. The expert group was chaired by Jukka Pekkarinen from the Ministry of Finances. Other members were from research institutions affiliated with labour market parties and from the Ministry of Social Affairs and Health. In addition, the group included high-ranking officials from two pension institutions: The Finnish Centre for Pensions (ETK, a statutory co-operation body in the decentralized ER pension scheme), and the Social Insurance Institution (Kela). The main tasks were to help the planning of the pension reform by evaluating the effects of pension reforms for employment and exploring how the pension system could adapt to increasing life expectancy in a financially and socially sustainable way. On a more general level, the major motive for the report was the need to enhance long-term sustainability of both public finances and the pension system.

The French report *Our future pensions: financial equilibrium and fairness* [7] (Moreau 2013) was commissioned by the Prime Minister Jean-Marc Ayrault. The chair of the group compiling the report was Yannick Moreau, a high-ranking former civil servant. Other members included academics, civil servants from the field of social affairs and health, and two business executives of two companies closely affiliated with the State: La Poste and AirFrance. The group's task was to provide the French government with a

roadmap for possible pension reforms which would ensure financial equilibrium and social fairness. The report was motivated by the challenges that the demographic ageing was putting on the pension system.

The tasks of both groups were similar: taking stock of the current situation and assessing what possible steps could be taken to mitigate upcoming challenges. The main challenges are, firstly, the transition of baby boom generations into retirement, and secondly, increasing longevity. The task was to assess the pension system based on current structures, not to propose a radical reform. The reports were technical and, as such, not meant for the public. Instead, they were preparatory documents for the decision makers. The reports provide for an excellent blueprint of national discussions. They address issues that the experts deem relevant in a way that suits the ideational and institutional context of the country.

In exploring the expert reports, the article utilizes the framework of different modes of justification developed by Boltanski and Thévenot (2006) as an analytical tool. This framework makes it possible to analyse the existence of common justification modes that are, in principle, possible anywhere but which seem to be strongly intertwined with ideational and institutional context. According to Boltanski and Thévenot, there are relatively few generally acceptable justification modes. They point out that such common acceptability can only be reached by shifting to a higher level of generality and by referring to a certain idea of *common good*. Accordingly, they propose that in public discussion there are at least six possible justification modes which fulfil this requirement. These stem from the ‘civic’, ‘industrial’, ‘market’, ‘opinion’, ‘domestic’ and ‘inspired’ worlds.

In our analysis, we have left out the inspired world, as we did not find it in the reports we studied. Furthermore, regardless of the apparent incompatibility of the logic of different justification modes, the framework of Boltanski and Thévenot (see 2006: 277–335) highlights the manifold compromises between different logics. Hence, in this article, the model will be used to illuminate both the competition between different lines of reasoning and their various combinations.

For Boltanski and Thévenot (2006), *civic logic* is rooted in the collective interest. In civic argumentation, solidarity, equality and, in general, mutually agreed conventions and rights are valuable. When referring to pension schemes, civic justifications are used when describing the intrinsic solidary nature of the pension system as providing intra- and intergenerational income transfers between different population groups. Other characteristics that should be understood through the concept of civic logic are minimum pensions and non-contributory periods that are counted as contributory periods. Some civic elements include references to the welfare state or collective decision making. Key indicators are at-the-risk-of-poverty rate,

material deprivation, pension level, equality and redistribution between pensioners, and pensioners' relative financial position.

Science and technology define *industrial logic*. It stresses efficiency, productivity, reliability, and performance of social actors (Giulianotti & Langseth 2016). Justified in this way, the pension system is a social process or structure that can be designed in an engineering manner. The pension system needs to 'function' like an industrial process. In this approach, actuarial principles are emphasized as valuable approaches to pension issues. These kinds of justifications are often used by businesses, insurance experts and expert organizations. Industrial justification requires analysis and calculations. Key indicators are short- and long-term projections of the performance of a pension system.

The market logic is defined by competition and value is measured simply in terms of money. Things are judged on the grounds of monetary exchange, fair deals, and price. In the market logic, the pension system should be understood as a factor that enables the creation of wealth. The key indicators are contribution rates, size of pension funds and investment returns. On a societal level, the employment rate of older workers is a relevant indicator, as a higher employment rate creates wealth for the State in the form of tax revenues and smaller public sector pension expenditures. Similarly, it indicates that the pension system does not hinder the creation of wealth by barring employment.

The logic of fame underlines the 'reality of public opinion', in which judgment rests on popularity, success and influential opinions. Extending slightly the concept of 'fame' from the original, we interpret 'fame' in pension systems as references to the views of international organizations and inter-governmental bodies, and comparisons to peer countries. The two reports we study compare the success of pension systems compared to those of other countries and thus justify the strengths or weaknesses of the systems through peer review. Key indicators are rankings, recommendations from international organizations and opinion polls. When it comes to the fame logic, a possible threat is the reputational risk that might undermine the institutions in charge of the pension system.

The domestic logic is a general logic of the family that can be applied to all spheres of society. The pension system is understood as a unifying force of the population. Referrals to hierarchy, local customs and tradition are important. When referring to pension schemes, the domestic logic applies to the value given to tradition. Emphasis is on the continuation of the existing system. The pension system is understood as a unifying force of the population.

Justifying a sustainable pension reform in Finland and France

In our analysis, we recognized three narratives that centre around three major themes. Similarly to Béland (2019b), we argue that narratives help to push certain policy problems onto the agenda, but the final policy recommendations depend on the local context. As we are interested in the impact that the local context has on the potential policy proposals, we study how nationally constructed ideas and institutions frame expert reasoning in the two countries. We will examine the following themes in detail as presented in the expert reports: financial sustainability, social sustainability, and future financial and social sustainability. In both cases, the analysis focuses on the earnings-related DB pension, unless otherwise stated.

In what follows, we assess how these major themes were narrated and how reform needs were justified in the reports. The five modes of justification presented above – civic, domestic, industrial, market and fame – can all be found in both reports, but they are used differently. In most cases, they are overlapping. In the Finnish report, the approach to pensions is dominated by industrial and market justifications. The reasoning resembles that of private insurance with the emphasis on prefunding, expert calculations, and a strict link between earnings and benefits. The reasoning in the French report concentrates on civic and domestic dominated justifications. The pension system is described as an institution, put in place by the State, that connects individuals, groups and generations. The system is always constrained by social and economic necessities in the short term as it redistributes wealth from the active age to pensioners. Pensions are about solidarity. Therefore, a central question is what individuals owe to each other. Questions of redistribution are salient in the French report.

Financial sustainability in Finland – market, industrial and fame logics

The Finnish report stresses especially two things: first, the need of a pension reform for the sustainability of public finances and the whole national economy, and second, sustainability of the pension system itself. The report highlights the importance and success of pre-funding as an efficient method in accommodating to demographic changes. The advantages of financial markets and investment returns (market logic) are pointed out. Pre-funding is understood as an efficient mechanism (industrial logic) which has helped the system to accommodate to the changes in demography. This view is shared widely among economists and pension experts in the country. It is not pointed out in the report that pre-funding is not a completely watertight solution to overcome ageing as financial assets represent claims on future output and depend on future production. This makes also pre-funding a vulnerable financing method in ageing societies, even

though in a different way than PAYG financing. In Finland, the significance of pre-funding has increased over the years as the funds have grown bigger, the asset allocation has become global, and the investment rules have been modified to allow more risk. The report stresses the benefits of pre-funding: how it has made the system more sustainable and reduced the need for bigger hikes in the contribution rate.

The Finnish report highlights remarkably much the importance of the pension reform for the national economy in general: it is necessary for the balance and credibility of public finances. The idea that the reform should increase the employment rate and extend working lives is important for both the sustainability of the pension system and the whole national economy. This reasoning stems from the understanding that the Nordic welfare model requires a high employment rate, and public policy is typically geared towards this goal (Andersen 2021). The Finnish report discusses in length the level of the pension contribution rate. Adjusting the system through increases in the contribution rate is no longer considered the primary solution because of its negative consequences on the price of labour, which affects international competitiveness. Yet, the idea to use other than pension contributions to finance pensions is totally absent in the report. The report refers to international organizations' and experts' assessments of the Finnish pension system. In the report, a separate chapter details how the IMF, the OECD, and the European Commission urge to increase the retirement age and curb early retirement options. The credibility needs to be restored in the eyes of these foreign institutions. From these points of view, the reasoning is based on a combination of market and fame logics stressing the national competitiveness and the problem of deteriorating public finances that might undermine the credibility of public economy in the long run.

Financial sustainability in France – market, fame and domestic logics

Similarly to the Finnish report, the French report states that the system needs reforms that lengthen working careers and increase revenues to respond to the deficit that the system has in the short term. Yet, the importance of the pension system for public finances is less present. The focus is more on the financial stability of the pension system. In addition to the financial imbalance, another argument for the reform is that people lack trust in the sustainability of the system. The story is that of a lost credibility that needs to be restored in the eyes of the general population. Thus, also in France (although slightly differently from Finland), the justifications for the reform were based on a combination of market logic, as the system is in deficit and not financially sustainable, and the logic of fame, as the lack of trust undermines the confidence in the system. Yet, it is the confidence of the citizens that needs to be restored, not that of international

institutions. Unlike the Finnish report, the French report does not explicitly make referrals to renowned academics or international organizations' recommendations.

In the French report, PAYG is considered a stable financing mechanism while prefunding is seen as an inherently unstable method. The market logic is used in an opposite way to the Finnish report to point out that the PAYG nature of the pension system avoids financial market risks and decreases volatility. Therefore, the 2008 financial crisis did not have a negative impact on the system's finances. The view is that financial markets are unreliable in terms of providing stability for the system. Yet, part of the distrust towards prefunding is inherited from the failure of funded schemes around the time of the Second World War. Typically, pensions were invested mainly in governments bonds which lost their real value when inflation was high. This led to miserable pensions (Blanchet 2002: 119). The focus is much more on the risks associated with financial markets. This is also civic reasoning as it refers to the PAYG system as a collective intergenerational contract, which guarantees that the income of the older people is not too volatile. As a guarantor of the system's sustainability, the French report states that the country's fertility rate has been high and is still high in European standards. France has had a long pronatal history and the pension system has pronatal elements (Rosental 2003). The expert group's task is to preserve the perennity of the PAYG scheme as stated in the mission letter. The referral to the perennity of the PAYG system is a domestic justification as it ties the preferred method of financing to an established line of reasoning and the character and history of French society.

Social sustainability in Finland – industrial, market, civic and fame logics

Social sustainability refers to such themes as adequacy of pensions, legitimacy of the pension system, and (re)distribution of income inside and between generations. These topics are treated differently in the two reports. First, the Finnish report has a consequentialist approach to adequacy: following market logic, pensions should reflect labour market earnings and the purpose of the earnings-related pension system is not to compensate for potential adequacy problems, which originate in one's working career. This role is left to residence-based pensions. Therefore, the report concludes that the ER pension system cannot do much to address the adequacy of pensions in retrospect.

Second, another important feature is the issue of legitimacy, which forms the basis of political stability. The legitimacy is assessed through the logic of fame by comparing the comparatively modest at-the-risk-

of-poverty rate (AROP) of pensioners in Finland to the average in other OECD countries. The Finnish report states that in European-wide surveys, the Finnish pension system enjoys a high level of trust (fame). However, the report refers also to national surveys on trust in pensions which present a more critical view.

Third, a major theme that falls under the topic of social sustainability is income redistribution. The report describes income differences and inequality between pensioners as reflecting previous labour market performance. It stresses equal rules for everyone regardless of their professional category. Following the industrial and market reasoning, the legitimate scope of a pension system is to provide an apparatus that offers retirement provision relative to one's productive achievements in the labour market. The justifications are built around industrial and market logic pointing out the efficiency and increased aggregate welfare that this approach creates. Not much can be done to address income redistribution. The Finnish report states that the right instruments for redistribution are the residence-based national pension system and the tax system. Yet, these issues are not analysed in more detail.

Compensations for career breaks exist in the Finnish earnings-related pension scheme but they are not addressed in the report. Neither is there any discussion on granting access to full retirement based on a long career. This would be a civic justification that does not fit well in the industrial and market dominated justifications that the report draws on. Moreover, following industrial and market logic in the sense that the pension system should not intervene in labour market dynamics, the Finnish report does not discuss the issue that all professional groups may not be equally capable of prolonging their working career. The possibility of early pathways to retirement for certain professional groups is not brought up [8]. One probable reason for this is that other mechanisms, such as disability pensions or occupational rehabilitation, are understood to support different professional or socioeconomic groups, even though disability and old-age pensions compensate for two different risks: disability and old-age (including longevity). In France, these risks are insured under different branches of social security whereas in Finland they are insured under the same institution.

Finally, as public pension systems are arrangements that transfer wealth from active-age citizens to pensioners, the division of risks between generations need to be addressed. The Finnish report states that the DB character of the pension system strengthens the understandability of the pension promise and protects pensioners from business cycles. Citizens of active age should shoulder the risk if the system faces an economic shock impacting the financing. This is a justification based on the civic logic for the defined benefit formula: pensioners should not be left to the whims of the market but should be paid what they have

been promised. Those in the active age should bear the market risk. Unlike in the French report, directing more tax revenues to finance pensions is not proposed to strengthen the financial equilibrium.

Social sustainability in France – civic, domestic and fame logics

The French report emphasizes that pensioners should be taken care of and provided an adequate income. The report recalls that in the 1960s pensioners were neglected. At the time, they had a high poverty rate because the benefits were low (Blanchet and Lenseigne 2019). This is used as an argument for why current generations should act in a different way today towards pensioners. This can be seen as a civic, and in a certain way also domestic, justification as the responsibility towards the elderly is justified through a chain of personal dependencies between individuals of different generations belonging to the same political community. As regards the legitimacy of the pension system, the report refers to national opinion polls (fame) that suggest that the French feel attached to the principles of PAYG as something that binds society together (civic) as younger active generations financially sustain older retired generations.

In comparison to the Finnish report, the French report has a more solidary approach to the distribution of income. In France, the replacement rates are lower for high income quartiles, and income inequalities among retirees are smaller than among the active population. In the report, both features are understood as a success of redistribution. Following the civic logic, the redistributive elements (e.g., pension ceiling and minimum pensions) are justified by saying that they correct career hazards in the labour market and distribute pension income from high earners to low earners. The report puts a great emphasis on the compensation mechanisms that exist in the French pension system for career breaks. The report underlies that these kinds of solidarity mechanisms, e.g., pension accrual for raising children or being unemployed, play an important role in reducing inequalities among the retired population.

In addition, the French report stresses distributive mechanisms between different sub-schemes of the system. This discourse also justifies the fragmentation of the French pension system: professional groups have different rules because of the different characteristics of their jobs. According to the French report, people in jobs that require great effort are a special case *per se*. As a result, the experts propose that those with arduous jobs should be given the possibility to retire early. They understand this as a question of social justice. This is justified by pointing out that people in these occupations have a shorter life expectancy and that they ought to be compensated in the name of solidarity (civic logic).

The French report does not make any explicit referral to the DB character of the system. However, unlike the Finnish report, the French report suggests a modification in the risk-sharing between pensioners and active-age citizens: pensioners could be taxed more to finance pensions. This is justified by showing that pensioners' standard of living, understood here as total income, equals that of the active population. However, the report states that low-income pensioners should be protected from increases in taxes. Thus, the French report has a flexible approach: more burden in pension financing could be shifted towards pensioners. This is civic justification as, this way, a larger part of the population, including pensioners, would participate in keeping the intergenerational arrangement sustainable. Both the active age citizens and pensioners would be solidary with each other in the face of upcoming risks.

Future financial and social sustainability in Finland – industrial dominated logic

A third important theme in the Finnish and French reports is the future sustainability of the pension system. What measures will guarantee that the systems remain financially and socially sustainable in the future? Here, two different approaches are presented. Both reports propose to implement some kinds of mechanisms to adapt the pension system to changes in longevity and discuss existing (automatic) balance mechanisms in other countries. Yet, the discussed mechanisms differ.

The Finnish report concentrates on comparing the effects of two adjustment mechanisms in adapting to the increasing life expectancy: raising the retirement age and decreasing the level of future benefits. Although the emphasis is on future financial sustainability, the report also discusses what kind of effects these options would have on social sustainability, or more precisely, income distribution. The report points out that increasing the retirement age could, in principle, be done with regular collective decisions (civic logic) or it could be linked to life expectancy. The latter means that the retirement age would be automated (industrial logic). This would offer increasing predictability and decrease the need for separate reforms. The rules for this mechanism would be set in advance, and the retirement age would be automatically adjusted. The rules would be subject to regular check-ups. The report presents regular decisions and automatic mechanisms as two equal options, but automatic mechanisms are discussed in more detail. The third adjustment option, that is, increasing the pension contributions, is considered the very last option and not discussed in detail. It is worth pointing out that after the publication of the report, Finland linked the retirement age to life expectancy.

As regards decreasing the level of future benefits, the report states that the system already has a degree of automaticity implemented in the form of the life expectancy coefficient. This approach is industrial as it puts a lot of value on actuarial calculations and projections as a trustful basis for automatic mechanisms. The institutional setup for this mechanism is already built in the system as the planning and evaluation of the Finnish pension system are largely based on long-term projections and calculations provided by the Finnish Centre for Pensions (see Tikanmäki et al. 2019). Another important feature of these projections is that the information they provide is often used to shelter the pension funds from being used by politicians for non-pension related goals. The partial pre-funding brings a certain amount of long-term analysis to the system.

Future financial and social sustainability in France – civic dominated logic

Following civic reasoning, the French report proposes to establish an expert commission that would follow the parameters of the pension system and prepare an opinion for the Government. Therefore, the aim of the commission would be to ‘pilot’ the pension system and recommend changes. It would monitor the financial sustainability and the achievement of social goals such as the replacement rate and the level of pension benefits. The French report stresses both future financial and social sustainability. The commission would analyse and actively follow the parameters. However, civic logic is intertwined with industrial logic as the commission will need calculations, estimations, and projections on the different dimensions of the system to decide on the parametric changes to the system. An essential difference is that the Finnish report stresses automatic mechanisms while the French report leans more towards the consideration of an expert commission and the Government.

Compared to Finland, France lacks a strong (quasi) independent agency acting as a central authority in the pension debate (Marier 2005). Therefore, it is probable that automatic adjustments, if they are unpopular, would be overrun by political actors seeking to gain re-election. The French Conseil d’Orientation des Retraites (COR) does similar calculations as the Finnish Centre for Pensions, but it does not enjoy such an influential and independent role as the Finnish Centre for Pensions does in the Finnish debate.

Discussion

Even though the central concerns around pensions, the short- and long-term financial and social sustainability, are similar in Finland and France, the reasoning and the discussed measures are different. The Finnish report emphasizes the role of pensions as income smoothing over one’s own life-course. The

French report stresses the role of pensions as a solidary mechanism between citizens of different socioeconomic groups and different birth cohorts. Thus, the dominant justifications for reforming the systems are different. The Finnish report is dominated by industrial justifications: what is the most efficient way to guarantee an earnings-related pension according to labour market merit? The French report is dominated by civic justifications: how should the competing interests of different stakeholders be reconciled?

When addressing the issue of *financial sustainability*, both reports frame the possible reform options using market and fame logic, yet they differ in how these logics are used. First, following the market logic, both reports emphasize the need to lengthen working careers, but the Finnish report also stresses prefunding and investment returns to secure financial sustainability. Second, in Finland the logic of fame is used mostly in referral both to external agents, such as the European Commission, and citizens whereas the French report refers solely to French people's lack of trust in the financial sustainability of the system. The narrative of lost credibility exists in both reports: in Finland it could be lost especially in the eyes of external expert bodies and in France it could be lost in the eyes of the French population.

There is a big discrepancy under the theme of *social sustainability*. Following civic logic, the French report puts more emphasis on the redistributive mechanisms and considers the smaller inequality among pensioners in relation to the active-age population as a success of this redistribution. The Finnish report does not treat issues related to redistribution in detail. Stressing market and industrial logic, the understanding is that the earnings-related system adheres to the equivalence principle, in other words, to a strict link between earnings and benefits. It should not address questions relating to redistribution. However, in Finland disability pensions are understood to redistribute towards certain groups. In France, these risks are insured under different branches of social security whereas in Finland they are insured under the same institution. Both reports acknowledge that pension benefits reflect labour market activity. However, they differ in terms of how and how much pension systems should redistribute.

Another significant difference comes under the theme of *future-proof pension system*. When discussing the possibilities to adjust to increasing life expectancy through increasing retirement age or decreasing benefit levels, the Finnish report presents automatic mechanisms and regular decisions as equal options. However, automatic mechanisms are discussed in more detail. Raising the revenue side by raising the contribution rate is considered the very last option and raising tax income is completely ruled out as an alternative. The French report recommends setting up a follow-up commission that would oversee and steer the pension system. The Finnish expert reasoning is tilted towards industrial logic whereas the French report

emphasizes civic logic, leaving more space for political discretion. This is in line with the differences in the institutional decision-making structures of pension policy in the two countries.

Essentially the logics used in the reports represent two different interpretations of what a pension system is. The French report emphasizes the collective character and the redistributive measures of the pension system. In the Finnish report, there is less discussion about redistribution between different groups. This reasoning stems partly from the institutional structure of the benefit scheme: income redistribution is seen to be a task of minimum pensions, which are managed by a different institution. Thus, the first tier of the Finnish pension system hinders discussion referring to income redistribution or solidarity (civic logic) in the expert report as its focus is on the ER pension scheme. As also Börsch-Supan (2016: 115) has argued, this institutional separation causes issues to be discussed separately from each other, such as financial sustainability and poverty prevention. This seems to be the case in Finland. In the French report, issues of redistribution are addressed more thoroughly. In addition to the ideational emphasis on solidarity, this also stems from the institutional structure of the French pension system, which does not include the same institutional separation between earnings-related and minimum pensions.

This article supports the argument about the relationship of current problem narratives and historical ideas and institutions emphasized by Béland (2019b): there can be quite similar narratives constructing the need to reform the pension systems, but the policy recommendations and solutions can be very different depending on the local institutional context and historical legacies. By combining the framework developed by Boltanski and Thévenot (2006) with the ideational and institutional approach, we have argued that, in Finland and France, there are three important institutional arrangements in the pension schemes that shape the scope of possibilities for the expert reasoning, including the possible modes of justification. The first arrangement is the structure of the benefits; the second, the model of financing; and the third, the way of governing. These three institutional arrangements, together with established historical ideas, play a key role in framing the expert reasoning in the two countries. However, the interaction between ideas and institutions is a two-way process. On the one hand, the institutional factors mentioned above seem to shape the interpretation and application of the dominant ideas. On the other hand, established ideas – such as the French view that pension system binds individuals and generations together and the Finnish view that the pension system is predominantly a mechanism for transferring wealth towards one's own old age – help to justify and deepen the institutional structure. Ideas and institutions end up creating a mutually reinforcing loop. This kind of loop can be understood as the basis for the path-dependent character of pension systems and the rather persistent differences that European pension systems seem to follow.

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1 OECD (2005: 24) describes points system: " [w]orkers earn pension points based on their individual earnings for each year of contributions. At retirement, the sum of pension points is multiplied by a pension-point value to convert them into a regular pension payment."

2 In France, a small part of the contribution (2.5 percentage points) is levied above the ceiling on the whole salary although it does not generate any new pension rights.

3 Unless otherwise stated, all forthcoming mentions of (earnings-related) pension system in the paper refer to the statutory pension system for private sector employees.

4 A system in which current contributions levied from the workers are transferred directly to current retirees as pension benefits.

5 A system in which contributions are partly pre-funded and invested in the capital markets. Thus, financing of pension benefits is a combination of PAYG and pre-funded elements.

6 Original title: Suomen eläkejärjestelmän sopeutuminen eliniän pitenemiseen.

7 Original title: Nos retraites demain: équilibre financier et justice.

8 Interestingly, the Finnish pension reform in 2017 introduced an early retirement scheme for people working in heavy jobs.